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PLR-131923-14

Date:

January 30, 2015

LEGEND:

Taxpayer =

Trailer =

Material =

Axles =

Dear :

This replies to a letter ruling request dated August 22, 2014, submitted on your behalf by your authorized representative, with regard to whether a certain semitrailer body that you sell at retail are exempt under § 4053(2) of the Internal Revenue Code (Code) from the tax imposed by § 4051(a)(1).

Taxpayer designs, manufactures, and sells specialty trailers and other solutions for transportation and material handling. At issue in this case is Taxpayer's Trailer.

Trailer is specifically designed and built by Taxpayer to haul and unload various agricultural commodities such as feed, seed, and fertilizer to and on farms and fields.

Trailer is an open-top, rectangular box that incorporates the special design features discussed below.

Trailer's design evolved over many years, and currently has the following special agricultural industry-specific features. First, Trailer is built with alloy aluminum panels and rails. This feature reduces the overall weight of Trailer in comparison to standard heavy-duty trailers, which allows Trailer to carry approximately the same volume of commodities as a heavy-duty trailer without exceeding the hauling capacity of the semi-

tractor pulling it. In addition, alloy aluminum resists the corrosive properties of feed, seed, and fertilizer.

Second, Trailer's floor features a light-weight floor slat constructed out of Material. This feature further reduces the overall weight of Trailer and provides leak prevention. The quality of the floor seal allows Trailer to carry feed, seed, and fertilizer commodities it otherwise could not handle, such as wet distiller grain, modified distiller grain, dry distiller grain, finely ground feeds, flour, agricultural lime, and poultry litter. Taxpayer states that the floor design makes Trailer incompatible with forklift loading and unloading. Therefore, Trailer is not designed to carry palletized cargo; in fact, this method of loading and unloading cargo will result in significant damage to Trailer.

Third, Trailer is assembled using bolts rather than with welds. This feature allows Trailer to flex when it is pulled off road onto secondary roads, fields, and farms. Welds are used to assemble general hauling trailers for use on improved roads, but are not adequate for long-term use on the types of surfaces Trailer was designed to encounter.

Fourth, Trailer features sloped side seals that facilitate unloading of bulk materials. In addition, stainless steel mounting plates, rather than aluminum, were added to the bottom rail of Trailer. These two features help prevent corrosion that would result from hauling feed, seed, and fertilizer commodities.

Fifth, Trailer uses Axles, rather than the 20,000-pound or 22,500-pound axles that are found on general hauling trailers that cannot use secondary roads. This feature, along with the bolted construction described above, allow Trailer to use secondary roadways and to directly access fields.

Section 4051(a)(1) imposes a tax on the first retail sale of, among other things, automobile truck bodies and truck trailer and semitrailer bodies.

Section 4053(2) provides that the tax imposed by section 4051 shall not be imposed on any body primarily designed- (A) to process or prepare seed, feed, or fertilizer for use on farms, (B) to haul feed, seed, or fertilizer on farms, (C) to spread feed, seed, or fertilizer on farms, (D) to load or unload feed, seed, or fertilizer on farms, or (E) for any combination of the foregoing.

Rev. Rul. 69-579, 1969-2 C.B. 200, holds that certain automotive truck bodies equipped with heavy-duty unloading equipment and used primarily for hauling feed, seed, and fertilizer to and on farms, are exempt from the manufacturers tax under section 4063(a)(2)(B) (the predecessor to the section 4053(2) exemption provided for retailers tax purposes).

Rev. Rul. 69-579 describes truck, trailer, and semitrailer bodies that contain heavy-duty mechanical or pneumatic type unloading equipment specially designed to facilitate

unloading on the farm. The unloading equipment is built into, and forms an integral part of the bodies, adding substantially to their cost and weight, and limiting their load-carrying capacity. The mechanical system uses conveyors and augers, and unloads from the top of the body; the pneumatic system uses a blower and hose, and usually unloads from the bottom and rear of the body. Each system is activated by a power take-off from the truck engine. The bodies are usually divided into separate compartments and are either open at the top or completely enclosed.

The revenue ruling states that the elaborate and expensive unloading systems built into these bodies, and the modifications of the bodies required to accommodate the unloading systems, make it impracticable to purchase the bodies for use other than in hauling feed, seed, or fertilizer to, and unloading it on, farms. The revenue ruling concludes that the bodies are primarily designed to haul and unload feed, seed, or fertilizer on farms, and are exempt from the manufacturers tax by virtue of the section 4063(a)(2)(B) exemption.

Rev. Rul. 75-462, 1975-2 C.B. 419, provides that highway bodies that are used for the general hauling of feed, seed, or fertilizer over the highway are subject to the manufacturers excise tax unless they have specific features that indicate they are primarily designed to haul feed, seed, or fertilizer to and on farms.

Rev. Rul. 2004-80, 2004-2 C.B. 164, addresses the definition of the term “primarily designed” as that term is used in distinguishing a truck from a tractor for purposes of section 4051(a)(1). The revenue ruling states that the term “primarily designed” means principally designed. It does not mean exclusively designed.

The exemption from tax provided by section 4053(2) does not extend to bodies primarily designed for general use, even though the bodies may be capable of hauling feed, seed, and fertilizer to and on farms or performing other functions described in section 4053(2). To be exempt, a body must be primarily designed for one, or a combination of functions described in section 4053(2).

In requesting tax-exempt treatment for Trailer, Taxpayer submitted a letter ruling request that was detailed and comprehensive. To complement the extensive factual discussion, the letter ruling request included engineering schematics, full-color brochures, as well as a comprehensive legal analysis.

With regard to Trailer, the body contains an unloading system that is built into, and forms an integral part of, the body. The special unloading system that uses Material is elaborate, expensive, and adds substantially to the cost of each body. Thus, like the specially designed bodies described in Rev. Rul. 69-579, purchase of the subject bodies for use other than in hauling feed, seed, or fertilizer to, and unloading it on, farms, would be impractical.

Further, the detailed information provided by Taxpayer highlights a number of specific features, including the alloy aluminum panels, the bolted as opposed to welded construction, the sloped design and self-cleaning nature of the rails at the top of the trailer, the fabrication of the lower rails to limit corrosion and contamination of the trailer's cargo, and the heavy duty Axles that also add to the cost of each body and indicate Trailer is primarily designed for use on farms.

Accordingly, the semitrailer body described herein as Trailer falls within the exemption provided by section 4053(2) and Taxpayer's retail sales thereof are exempt from the tax imposed by section 4051(a)(1).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

/s/Charles J. Langley, Jr.

Charles J. Langley, Jr.
Senior Technician Reviewer, Branch 7
(Passthroughs & Special Industries)